

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

THE OFFICIAL COMMITTEE OF)	
UNSECURED CREDITORS OF)	
ALLEGHENY HEALTH, EDUCATION)	
AND RESEARCH FOUNDATION,)	
)	
Plaintiff,)	Civil Action No. 00-684
)	
v.)	
)	
PRICEWATERHOUSECOOPERS, LLP,)	Judge David Stewart Cercone
)	
Defendant.)	

**APPENDIX TO THE COMMITTEE'S RESPONSE TO PwC'S STATEMENT OF
UNDISPUTED AND MATERIAL FACTS UNDER LOCAL RULE 56.1(C)(1)**

VOLUME 7

James M. Jones (PA #81295)
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Attorneys for Plaintiff The Official Committee
of Unsecured Creditors of AHERF

July 11, 2005

EXHIBIT 2015

ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION
AUDIT COMMITTEE
Pittsburgh, Pennsylvania

A meeting of the Audit Committee of Allegheny Health, Education & Research Foundation was held on Monday, October 16, 1995, at 12:00 noon in the Board Room of Allegheny General Hospital, Pittsburgh, Pennsylvania. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Committee. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

Members Present

J. David Barnes
Anthony M. Cook
Graemer K. Hilton
W. P. Snyder III

Appointed Officers
and Invited Guests

Sherif S. Abdelhak
Calvin Bland
William F. Buettner
(Coopers & Lybrand)
Carol Gordon
Donald Kaye, M.D.
David W. McConnell
Anthony M. Sanzo
Diane K. Schrecengost
Cherry S. White
Nancy A. Wynstra, Esq.

Members Absent

Ralph W. Brenner, Esq.
Robert M. Hernandez
W. Bruce Thomas

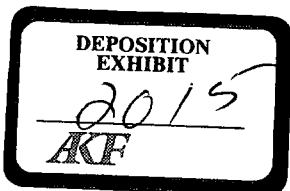
I. Opening of Meeting

The meeting was called to order by J. David Barnes, Chairman. Nancy A. Wynstra, Esq. kept the minutes. The Chairman declared that a quorum was present and the meeting was competent to proceed.

II. Additions to the Agenda

Mr. Barnes noted there were no additions to the agenda.

DBR-CG-000387



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Meeting of the Audit Committee
October 16, 1995
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III. Approval Items

A. Minutes from the Meeting Held on April 3, 1995

The minutes from the meeting held on April 3, 1995 were approved as presented.

B. Report on Fiscal Year 1995 Audited Financial Statements and Related Reports for AHERF and Subsidiaries

David McConnell reviewed the Audited Financial Statements for Fiscal Year 1995 for Allegheny Health, Education and Research Foundation (AHERF) and its subsidiaries, noting that all audited AHERF entities received unqualified opinions from Coopers & Lybrand for Fiscal Year 1995. Coopers & Lybrand also provided debt compliance verification letters for each outstanding debt obligation requiring such annual verification. Focus during the past Fiscal Year has been placed on Accounts Receivable and the management of cash on a day-to-day basis. The various lines of credit are monitored daily, and emphasis has continued on the reduction of such debt. The relocation of the Patient Billing function from Philadelphia to Pittsburgh occurred July 1, and the local staffing has increased considerably. The integration of transaction and information systems has occurred in the General Accounting and Accounts Payable areas, resulting in a more effective and secure environment. Income from operations has increased from the previous year with each organization contributing to the increase. Overall, this has been the strongest year in quite some time. Following discussion, and upon motion duly made and seconded, the Audit Committee recommended that the Board of Directors of AHERF approve the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees approves the Audited Financial Statements and the related debt compliance letters for Fiscal Year 1995; and

FURTHER RESOLVED, that the Board instructs the Secretary to append copies of the accepted Fiscal Year 1995 Financial Statements and related debt compliance letters to the original minutes of this meeting.

DBR-CG-000388

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C. Fiscal Year 1995 Reports on AHERF Internal Controls

William F. Buettner reported that Coopers & Lybrand had reviewed internal controls within AHERF and its Obligated Group entities and stated that there were no matters noted during the audits that would be considered to be material weaknesses in the internal control structure. The letters reporting on the absence of material weaknesses are being provided to enable AGH, MCPHUHS, and SCHC to comply with Medicare regulations requiring that such reports be included as an attachment to the Medicare Cost Report. Detailed internal control observations were provided separately by Coopers & Lybrand to assist management in certain areas where existing controls could be improved. All prior year comments made by Coopers & Lybrand have been adequately addressed by management. Upon motion duly made and seconded, the Audit Committee recommended that the Board of Directors of AHERF approve the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees accepts the Coopers & Lybrand Reports on Internal Controls as presented; and

FURTHER RESOLVED, that the Board instructs the Secretary to attach a copy of the Reports to the original minutes of this meeting.

IV. Information and Discussion Items

A. Coopers & Lybrand Management Letters and AHERF Management Response

David W. McConnell noted that the detailed Coopers & Lybrand management letter provided AHERF with system-wide internal control observations. William Buettner stated that the letter was provided to suggest enhancements to the control environment within AHERF, and he reiterated that no material control weaknesses were identified by Coopers & Lybrand during its audits. Mr. Buettner reported that the complexity of hospital billing and collection of accounts receivable within the AHERF system was recognized. Recommendations were made to management in order to streamline billing activity throughout the organization. A review of the Information Services Department identified various opportunities for improving AHERF's

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information systems controls and security. These were reported to management, and the recommendations were accepted. Discussion ensued regarding the security packages and/or approaches in place for the various computer systems. Mr. Buettner reported that security controls continue to improve, and there are no significant weaknesses.

B. Coopers & Lybrand Required Communication to the Audit Committee

Mr. Buettner reported that the American Institute of Certified Public Accountants (AICPA) requires external auditors to communicate certain matters to their audit clients on an annual basis, and this letter is provided in compliance with such requirement.

C. Audit Services Review of Large Cash Disbursements

Diane Schrecengost noted that Audit Services continues to observe a high degree of compliance with the established control procedures for large cash disbursements. Certain exceptions were noted during Fiscal 1995 testing with respect to Electronic Fund Transfers, and the Treasury Department will clarify the related policy to assure greater compliance.

D. Review of Audit Services Activities from March 1995 to Present (Pittsburgh and Delaware Valley)

Diane Schrecengost reported that summary reports of all Audit Services activity were provided for information, and there were no significant issues to be brought to the attention of the Committee. There is increasing emphasis on the part of Audit Services to review billing-related matters, and several revenue opportunities have been identified.

E. Information Services Security Update

David McConnell noted that a status report on Information Services security is provided as information to the Committee. Security resources to date have been concentrated on core transaction systems. As a result, security related controls in these areas generally meet or exceed accepted standards. Reviews are currently under way to evaluate the security for client-managed distributed

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systems, and specific action plans will be developed as necessary to bring all such systems to an acceptable level of control. Mr. McConnell stated that a more detailed report on system security would be provided at the next meeting.

Executive Session

The offer of Executive Session was made to the representatives of Coopers & Lybrand, and the offer was declined.

The offer of Executive Session was also extended to Audit Services, and the offer was declined.

The offer of Executive Session was made to management, and the offer was accepted.

Review of Executive Management Business Expenses

Ms. Schrecengost presented the annual review of Executive Management Business Expenses, noting that the work was completed by the Audit Services staff. She summarized the Fiscal Year 1995 review and noted that audit testing of a sample of Executive Expense Reports was performed and that there was a very high level of compliance with institutional policies and Internal Revenue Service regulations among senior AHERF personnel. Information was also presented to the Committee regarding the utilization/costs of the corporate aircraft, cost of leased apartments maintained in Philadelphia, and the number/type of AHERF-owned automobiles utilized by cross-state travelers.

Recommendation of Appointment of External Auditors

Mr. McConnell presented management's recommendation that the Audit Committee recommend to the Board that Coopers & Lybrand be reappointed to serve as external auditors for AHERF and its subsidiary organizations for Fiscal Year 1996.

Mr. McConnell noted that management would report to the Audit Committee at its next meeting on the result of management negotiations with Coopers & Lybrand regarding audit fees. Following discussion and upon motion duly made and seconded, the Audit Committee recommended that the Board of Trustees of Allegheny Health, Education and Research Foundation consider the following resolution:

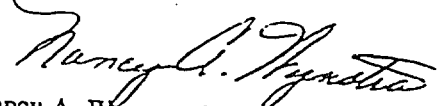
ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
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RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees reappoints Coopers & Lybrand as independent auditors of AHERF and its subsidiary organizations for Fiscal Year 1996.

Adjournment

There being no further business, the meeting was adjourned at approximately 1:20 p.m.

Respectfully submitted


Nancy A. Wynstra, Esq.
Secretary

NAW:cg

c:\minutes\101695.aud

NOTED ATTACHMENTS: Notice of meeting; approved Fiscal Year 1995 Audited Financial Statements and Related debt compliance letters; and Coopers & Lybrand Reports on AHERF Internal Controls.

DBR-CG-000392

EXHIBIT 2016

ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION
AUDIT COMMITTEE
SUMMARY OF DISCUSSIONS
Pittsburgh, Pennsylvania

A meeting of the Audit Committee of Allegheny Health, Education & Research Foundation was held on Monday, April 8, 1996, at 10:00 a.m. in the Mackie-Sutton Room of Allegheny General Hospital, Pittsburgh, Pennsylvania. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Committee. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

Members Present

J. David Barnes
Anthony M. Cook
W. Bruce Thomas

Other Invitees

Sherif S. Abdelhak
Calvin Bland
William F. Buettner
(Coopers & Lybrand)
Carol Gordon
Donald Kaye, M.D.
David W. McConnell
Diane K. Schrecengost
Cherry S. White
Nancy A. Wynstra, Esq.

Members Absent

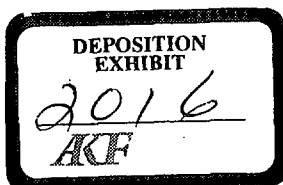
Ralph W. Brenner, Esq.
Robert M. Hernandez
Graemer K. Hilton
W. P. Snyder III

I. Opening of Meeting

The meeting was called to order by J. David Barnes, Chairman. Nancy A. Wynstra maintained a summary of the discussions. Mr. Barnes noted that, since a quorum was not present, no action would be taken at the meeting, but that the items on the agenda would be reviewed and discussed for information purposes only. He advised the group that a Unanimous Consent in Lieu of Meeting would be circulated to the Committee members to obtain authorization for the necessary action items discussed at today's meeting. Mr. Barnes noted that any recommendations of the Trustees present on such matters would be transmitted with the Unanimous Consent form as a Summary of Discussions.

II. Additions to the Agenda

Mr. Barnes noted there were no additions to the agenda.



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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
AUDIT COMMITTEE - SUMMARY OF DISCUSSIONS

April 8, 1996

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III. Approval Items

A. Minutes from the Meeting Held on October 16, 1995

The Committee recommended that the minutes from the meeting held on October 16, 1995 be approved with the correction of a typographical error.

B. Coopers & Lybrand Proposed AHERF Audit Plan for FY 1996

William F. Buettner introduced the Coopers & Lybrand proposed Fiscal 1996 AHERF Audit Plan to the Committee, noting that Coopers & Lybrand's services are supported by a network of audit, consulting and tax professionals. The Coopers & Lybrand engagement team will once again be led by Bill Buettner, engagement partner, with Jeff Hoover returning to the account as concurring partner. A list of the Fiscal Year 1996 audit reports to be prepared and the purpose of each report was presented, along with the proposed schedule of AHERF engagement fees. Mr. Buettner reviewed the Coopers & Lybrand audit approach and discussed certain key risk factors impacting on the audit, including Information Services, Accounts Receivable activity, and the financial control environment. Following discussion, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation (AHERF) approves the C&L Proposed AHERF Audit Plan for FY 1996 as presented; and

FURTHER RESOLVED, that the Board instructs the Secretary to append a copy of the C&L Proposed AHERF Audit Plan for FY 1996, as recommended for approval at this meeting, to the original minutes of the meeting.

C. Proposed FY 1997 and FY 1998 Audit Services Workplans (Pittsburgh and Delaware Valley)

Diane Schrecengost reported that the proposed Fiscal 1996 and 1997 Audit Services' workplans were developed utilizing the Board-approved risk assessment approach, a comprehensive, interactive process between Audit Services and the AHERF executive management team. Focus was placed on

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
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April 8, 1996

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reviews that could enhance the revenue available to the organization through Medical Audits. The Committee discussed the design of an additional report to be presented at future meetings which would identify areas of high risk audit areas and identify when such areas had last been reviewed by either internal or external audit. Discussion ensued regarding the status of Information Services programs, and Mr. McConnell reported that the Accounts Payable, General Ledger, and Payroll systems had completed the move to Pittsburgh. The systems are stable, and the control is more than adequate. The link of the Accounts Payable system to Baxter continues to be refined in order that greater detail can be provided to the operating managers. Mr. McConnell further noted that while the core systems have better than average control, continued focus is given to the distributed systems with the combined assistance of the Information Services Department and Operations management. Following discussion, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the proposed FY 1997 and FY 1998 Audit Services Workplans for Pittsburgh and the Delaware Valley; and

FURTHER RESOLVED, that the Board instructs the Secretary to attach a copy of the Audit Services Workplans, as recommended for approval at this meeting, to the original minutes of this meeting.

D. Proposed FY 1997 Audit Services Operating Budget (Pittsburgh and Delaware Valley)

Diane Schrecengost presented the proposed Audit Services operating budget for Fiscal Year 1997. It is expected that spending levels will be increased less than 1% from the previous year. Ms. Schrecengost noted, in response to a question, that she thinks the amount currently being spent on this function is about right and that the balance between internal and external audit is appropriate. To facilitate completion of the audit workplan within the current staffing levels, three initiatives are proposed: (1) pilot a management self-audit program in which management will be assisted/guided in auditing certain of their own areas, (2) work with the Office of Legal Affairs to aggregate Audit Services' policies in support of AHERF's Corporate Integrity and Compliance Program, and (3) selectively permit management to conduct its own follow-up reviews in

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instances where less significant weaknesses or control problems had been identified. Following discussion, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the proposed FY 1997 Audit Services Operating Budget for Pittsburgh and the Delaware Valley; and

FURTHER RESOLVED, that the Board instructs the Secretary to append a copy of the FY 1997 Audit Services Operating Budget, as recommended for approval at this meeting, to the original minutes of the meeting.

IV. Information and Discussion Items

A. Proposal for Development of an Office of Billing Compliance

Mr. McConnell noted that he had asked Diane Schrecengost to assume a leadership role in designing and implementing an initiative to assure a high degree of completeness, accuracy, and regulatory compliance in all billing-related areas. While the formal plan has not yet been prepared, the Office of Billing Compliance will be responsible for ensuring the development of necessary policies, guidelines, educational sessions, monitoring/auditing programs and reporting mechanisms related to billing compliance matters. He also noted that appointing a person with this responsibility was a requirement of the recent University of Pennsylvania Practice Plan settlement.

B. Emerging Accounting and Reporting Issues

Mr. Buettner presented several emerging accounting and reporting issues which will impact AHERF and its subsidiaries in the coming months.

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C. Profile of the AHERF Audit Services Department - April, 1996

Diane Schrecengost presented the organizational chart and staff profiles of the members of the Audit Services Department. Although there has been some turnover during the past year, the Department is currently fully staffed.

D. Review of Audit Services' Activities from October 1995 to Present

Diane Schrecengost reported that summary reports of all Audit Services activity were provided for information, and there were no significant issues to be brought to the attention of the Committee.

E. Information Systems Security - Status Update

David McConnell noted that a status report on Information Services security is provided for the benefit of the Committee.

Executive Session

The offer of Executive Session was made to the representatives of Coopers & Lybrand, and the offer was declined.

The offer of Executive Session was also extended to Audit Services, and the offer was declined.

The offer of Executive Session was made to management, and the offer was accepted. Ms. White and Ms. Gordon were excused from the meeting. The Summary of Discussions from the Executive Session is appended to the original copy of these minutes in a sealed envelope.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
AUDIT COMMITTEE - SUMMARY OF DISCUSSIONS

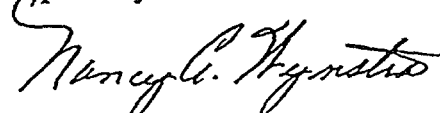
April 8, 1996

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Adjournment

There being no further business, the meeting was adjourned at approximately
11:35 a.m.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "Nancy A. Wynstra".

Nancy A. Wynstra
Secretary

NAW:cg

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NOTED ATTACHMENTS: Notice of meeting; Coopers & Lybrand Proposed AHERF Audit Plan for FY 1996; FY 1997 and FY 1998 Audit Services Workplans for Pittsburgh and the Delaware Valley; FY 1997 Audit Services Operating Budget for Pittsburgh and the Delaware Valley.

EXECUTIVE SESSION
SUMMARY OF DISCUSSIONS
AHERF Audit Committee Meeting
April 8, 1996

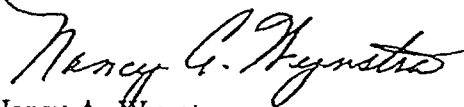
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ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION
AUDIT COMMITTEE, April 8, 1996
EXECUTIVE SESSION SUMMARY OF DISCUSSIONS
Pittsburgh, Pennsylvania

During the Executive Session, it was discussed with the members of the Audit Committee that two members of the AGH senior management team had been offered Super Bowl tickets from a vendor and had accepted the tickets. While no actual conflict of interest was indicated, the Committee agreed that the apparent conflict of interest was regrettable and asked that a letter be written to the management personnel in question, pointing out that such conduct violated the AHERF Code of Ethics and represented poor judgment. The Committee also directed that the employees be asked to repay the value of the benefit received, either to the vendor or in the form of a charitable contribution. Mr. Abdelhak also recounted a call from a member of government alleging that decisions about information systems were being biased by entertainment from a vendor. He clarified that these decisions are made by him and that the individual's information was incorrect.

Respectfully submitted



Nancy A. Wynstra
Secretary

NAW:cg

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EXHIBIT 2019

ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION
AUDIT COMMITTEE
Pittsburgh, Pennsylvania

A meeting of the Audit Committee of Allegheny Health, Education & Research Foundation was held on Wednesday, October 15, 1997, at 12:50 p.m. in the Board Room of Allegheny General Hospital, Pittsburgh, Pennsylvania. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Committee. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

Members Present

J. David Barnes
Ralph W. Brenner, Esq.
Anthony M. Cook
Douglas D. Danforth
Richard H. Daniel
Harry R. Edelman, III
Ira J. Gumberg
W. P. Snyder III
W. Bruce Thomas

Other Invitees

Sherif S. Abdelhak
William F. Buettner
(Coopers & Lybrand)
Carol Gordon
Lynn R. Isaacs
Donald Kaye, M.D.
David W. McConnell
Leonard L. Ross, Ph. D.
Barry H. Roth
Anthony M. Sanzo
Diane K. Schrecengost
Nancy A. Wynstra, Esq.

Members Absent

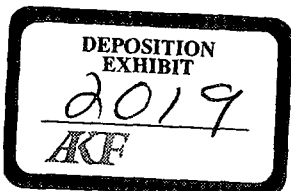
Robert M. Hernandez
Graemer K. Hilton
Thomas H. O'Brien
David W. Sculley

I. Opening of Meeting

The meeting was called to order by J. David Barnes, Chairman. Nancy A. Wynstra, Esq. kept the minutes. The Chairman declared that a quorum was present and the meeting was competent to proceed.

II. Additions to the Agenda

Mr. Barnes noted there were no additions to the agenda.



ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
Meeting of the Audit Committee
October 15, 1997
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III. Approval Items

A. Minutes from the Meeting Held on March 14, 1997

The minutes from the meeting held on March 14, 1997 were reviewed. Upon motion duly made and seconded, the Audit Committee of Allegheny Health, Education and Research Foundation approved the following resolution:

RESOLVED, that the Audit Committee of Allegheny Health, Education and Research Foundation approves the minutes from the meeting held on March 14, 1997, as presented.

B. Management Discussion and Report on Fiscal Year 1997 Audited Financial Statements and Related Reports for AHERF

David McConnell reported that audited financial statements for AHERF were presented along with the debt compliance verification letter for each outstanding debt obligation requiring annual verification. He noted that AHERF management has elected to present one consolidated set of financial statements (with consolidating schedules that identify the financial data of the separate entities) for the year ended June 30, 1997, in lieu of separate audit reports for the various AHERF entities. The reasons for preparing one set of consolidated financial statements can be summarized as follows:

- Given the vast and complex nature of AHERF's integrated system, one consolidated external reporting presentation portrays a more accurate picture of the financial condition/resources of the AHERF system, as opposed to presenting disparate financial snapshots of individual business units within AHERF's system.

- Stakeholders in the AHERF system (e.g., employees, debt holders, management, Board members) are provided a global financial overview of the financial status of the overall AHERF system, which AHERF's Board members and management have worked diligently to develop over the past decade.

- During fiscal 1997, AHERF realized substantial external audit cost savings (in terms of real dollars and audit efficiencies) and alleviated

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certain internal administrative burdens by deploying a consolidated reporting methodology.

A recently issued authoritative accounting pronouncement promulgates that separate obligated group financial statements prepared for debt purposes are no longer considered as prepared in accordance with generally accepted accounting principles. Accordingly, Coopers & Lybrand would be unable to issue a "clean opinion" on such statements. Rather, a "special purpose" opinion would have to be issued; such a change may prove alarming or confusing to our debt holders. In addition, the distribution of such statements would be greatly limited by the special purpose opinion, which restricts use to only management and specified parties. Accordingly, this would preclude the general distribution of the statements.

William F. Buettner noted that the audit work was completed on September 4, 1997, however, the Report of Independent Auditors was not signed. Management is waiting for official waivers from Graduate System bond trustees related to debt covenant violations. It was anticipated when the Graduate acquisition was consummated in November, 1996 that certain Graduate System hospitals would be in violation of debt service coverage ratio requirements for Fiscal Year 1997 as a result of approximately \$49 million in restructuring charges (primarily non-cash), which do not impair the ability of the hospitals to meet future debt service requirements. When the waiver from the Trustees is received, the final report will be issued with an October date.

Mr. Buettner discussed the acquisition of the Graduate Hospital and certain accounting methodology that affected the financial statements. The mergers have been accounted for under the purchase method with the purchase price being the amount of the respective hospital's outstanding liabilities assumed by AHERF at the date of acquisition. The purchase price of the acquisitions has been allocated based on the fair value of the assets acquired and liabilities assumed. The operations of the acquired hospitals have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The unaudited pro forma financial information presents the results of operations of the acquired hospitals as if the acquisitions had occurred at the beginning of Fiscal Year 1997 and the balance sheet information of the acquired hospitals at the respective acquisition dates.

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A discussion followed regarding the amount of \$367 million in Accounts Receivable, having achieved 62 net days of patient revenue. Because the collection of such large dollar amounts from the insurers is beyond the capability of their computer systems, negotiations continue in an effort to collect lump sum payments. Following discussion regarding the outstanding balances in Accounts Payable and expected adjustments which are intended to repay the AGH Funded Depreciation account, and upon motion duly made and seconded, the AHERF Audit Committee recommended that the Board of Trustees of Allegheny Health, Education and Research Foundation consider the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees approves the Audited Financial Statements and the related debt compliance letters for Fiscal Year 1997, as presented, subject to sign-off by Coopers & Lybrand; and

FURTHER RESOLVED, that the Board instructs the Secretary to append copies of the accepted Fiscal Year 1997 Financial Statements and related debt compliance letters to the original minutes of this meeting.

C. Fiscal Year 1997 Report on AHERF Internal Controls

William F. Buettner reported that Coopers & Lybrand had reviewed internal controls within AHERF and its Obligated Group entities and stated that there were no matters noted during the audits that would be considered to be material weaknesses in the internal control structure. The letter reporting on the absence of material weaknesses, presented herein in draft form, is being provided to enable AHERF and its affiliates to comply with Medicare regulations requiring that such reports be included as an attachment to the Medicare Cost Report. All prior year comments made by Coopers & Lybrand have been adequately addressed by management. Upon motion duly made and seconded, the AHERF Audit Committee recommended that the Board of Trustees of Allegheny Health, Education and Research Foundation approve the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees accepts the Coopers & Lybrand Report on Internal Controls as presented; and

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
Meeting of the Audit Committee
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FURTHER RESOLVED, that the Board instructs the Secretary to attach a copy of the Report to the original minutes of this meeting.

IV. Information and Discussion Items

A. Coopers & Lybrand Management Letter and AHERF Management Response

David W. McConnell noted that the detailed Coopers & Lybrand management letter provided AHERF with system-wide internal control observations. The report is designed to provide focus areas for the CEOs in identifying opportunities for improved operations. William Buettner stated that the letter was provided to suggest enhancements to the control environment within AHERF, and he reiterated that no material control weaknesses were identified by Coopers & Lybrand during its audits. A brief discussion ensued regarding system corrections which were implemented to enhance revenue, and Mr. Buettner noted that a dramatic improvement had been made in the quality of registration input. It was noted that the repetition of low impact focus areas from year to year indicates that the management team has been diligent.

B. Coopers & Lybrand Required Communication to the Audit Committee

Mr. Buettner reported that the American Institute of Certified Public Accountants (AICPA) requires external auditors to communicate certain matters to their audit clients on an annual basis, and this letter is provided in compliance with such requirement.

C. Report on Fiscal Year 1997 Audited Financial Statements - Canonsburg General Hospital and Subsidiaries

Mr. Buettner noted that the audited financial statements for Canonsburg General Hospital were provided as information.

D. Coopers & Lybrand Management Letter and Canonsburg General Hospital Management Response

Mr. Buettner stated that the letter was provided as information to management and there were no material control weaknesses identified by Coopers & Lybrand during its audit.

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E. Review of Audit Services Activities from March, 1997 to Present (Pittsburgh and Delaware Valley)

Diane Schrecengost reported that summary reports of all Audit Services audits and/or reviews were provided for information, and there were no significant issues to be brought to the attention of the Committee. Ms. Schrecengost noted that the department has been focusing on compliance issues, particularly in view of the emphasis from government agencies on fraud and abuse. Ms. Schrecengost stated that risk assessment would be addressed at the March meeting, during which there will be time for questions from the Committee.

Executive Session

The offer of Executive Session was made to the representative of Coopers & Lybrand, and the offer was declined.

The offer of Executive Session was also extended to Audit Services, and the offer was declined.

The offer of Executive Session was made to management, and the offer was accepted. Mr. Buettner was excused from the meeting.

Recommendation of Appointment of External Auditors

Mr. McConnell presented management's recommendation that the Audit Committee recommend to the AHERF Board that Coopers & Lybrand be reappointed to serve as external auditors for AHERF and its subsidiary organizations for Fiscal Year 1998. Mr. McConnell noted that management would report to the Audit Committee at its next meeting on the result of management negotiations with Coopers & Lybrand regarding audit fees. He noted further that although Coopers & Lybrand had recently merged with Price Waterhouse, no changes were expected in the working relationship between Coopers & Lybrand and AHERF. Upon motion duly made and seconded, the Audit Committee recommended that the Board of Trustees of Allegheny Health, Education and Research Foundation consider the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees reappoints Coopers & Lybrand as independent auditors of AHERF and its subsidiary organizations for Fiscal Year 1998.

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Adjournment

There being no further business, the meeting was adjourned at approximately 1:50 a.m.

Respectfully submitted



Nancy A. Wynstra, Esq.
Secretary

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NOTED ATTACHMENTS: Notice of meeting; approved Fiscal Year 1997 Financial Statements and Related debt compliance letters; and Coopers & Lybrand Reports on AHERF Internal Controls.

EXHIBIT 2024